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Economic Outlook
Calm Before the Storm?

JANUARY 2025

Foreword by Chief Economist, Dawn Desjardins

Canada's economy faces a myriad of challenges in the year ahead. Slower population growth, federal policy uncertainty and ambiguity about U.S. policy top the list. And while these challenges present downside risks to the outlook, the combination of stable inflation, lower interest rates and high household savings will act as important offsets.

We remain relatively positive on the outlook for Canada's economy in 2025 and forecast GDP will grow by 2.0% this year, stronger than both 2023 and 2024. This is far from a riskless call and given the elevated level of uncertainty we are providing another scenario for 2025 which includes the impact of the U.S. government levying 25% tariffs on Canadian goods and Canada's government following suit. In this worst-case scenario, our modelling shows significant losses for the economy.

There are positives …

As stated, we see the economy growing at a stronger pace in 2025 supported by the Bank of Canada shifting monetary policy from a neutral to mildly stimulative (2.25%) stance by mid-year. Inflation is also a plus for the outlook with the headline rate projected to hold close to the 2% target next year. These are significantly better conditions for consumers with spending also getting a lift from a consumption tax holiday early in the year. That said, the combination of another tranche of mortgage renewals and slower population growth will likely weigh on spending as the year progresses.

The housing market is expected to get a lift in 2025 as interest-rate sensitive buyers return to the market. This was already evident in the final quarter of 2024, and we expect activity will continue to gain steam. Supply will continue to limit the improvement in affordability although lower interest rates are expected to underpin a recovery in construction activity.

… and uncertainties

The big wildcard for 2025 is, if and when, business confidence will recover. Uncertainty about how the newly elected Trump Administration will proceed on tax, regulation and trade policy may keep companies sidelined in 2025. We anticipate a firming in exports in 2025 as the weaker Canadian dollar makes Canadian goods and services more attractive to U.S. buyers. This forecast also faces a high level of uncertainty given recent threats of tariffs on U.S. imports from Canada and Mexico which are not included in our baseline scenario.

To be sure, 2025 will bring daunting challenges for Canada. Policies to address the country's poor productivity performance are needed but the recent proroguing of parliament will delay new policy. Further, pressures to satisfy demands for increased spending on defence and security will remain high on the government's priority list. If tariffs do materialize, governments will have to lean in to support businesses and consumers leaving limited resources to implement productivity enhancing measures.

We have not included the threatened tariffs on Canadian goods reflecting the fact that Canadian government officials and business leaders are prepared to negotiate to address the grievances that have been put forward by the President-elect to secure access to our largest trading partner market. Further, the new Administration is likely to face pressure from many U.S. states that have a close trade relationship with Canada that could stay the President's hand, at least until the mid-July 2026 review of the CUSMA. However, given that tariffs remain a very real possibility, we have included an overview of our downside risk scenario that outlines the economic implications should tariffs be put in place early this year.

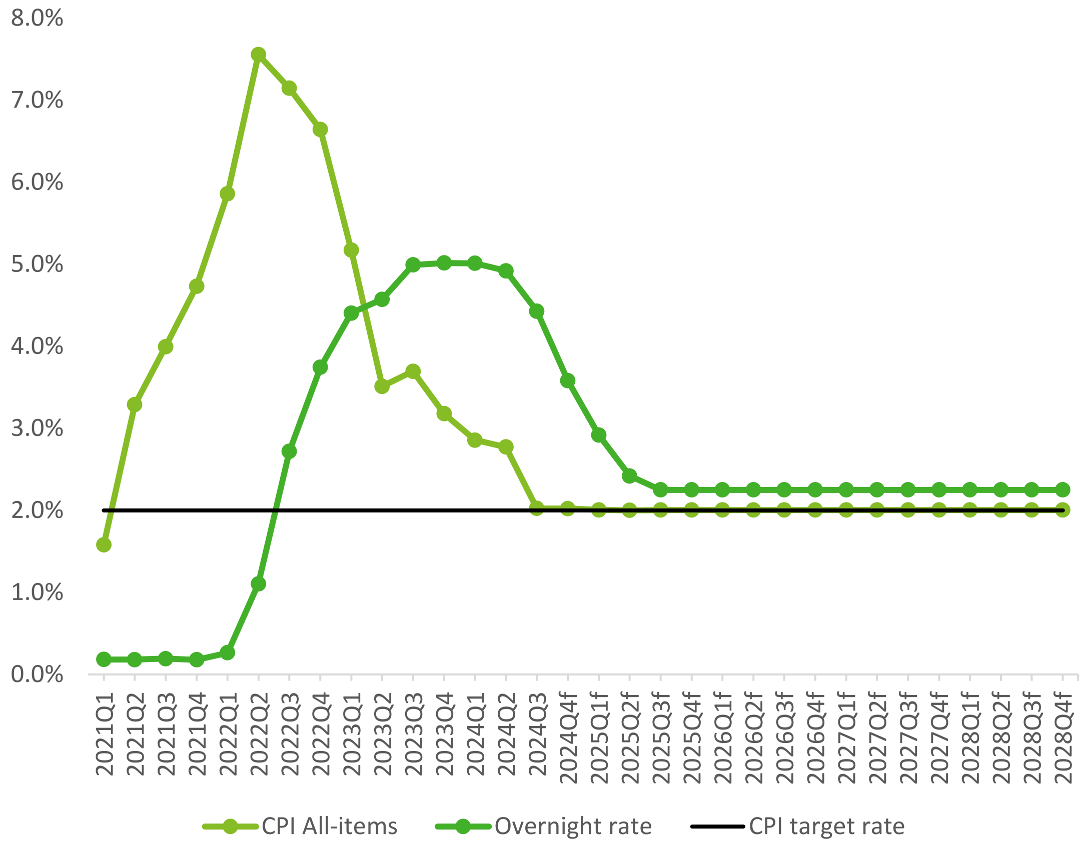
Monetary and Fiscal Policy

Supportive monetary and fiscal policy will help 2025 get off to a strong start despite uncertainty on the trade front.

- Inflation increased just 1.9% in November, a touch below the Bank of Canada's 2% target. Despite elevated shelter prices, soft increases in the price of goods have eased overall price pressures. While the GST pause from mid-December to mid-February will temporarily reduce inflation, we expect that price growth will remain close to target.
- Past monetary tightening has cooled the economy sufficiently to move it into a position of excess supply which has been the key factor in bringing down price growth. With inflation at target and the economy underperforming, the Bank of Canada has been able to quickly lower its policy interest rate by 175 basis points, leaving the overnight rate at 3.25% at the end of 2024. Moving forward, we expect the Bank will continue making cuts to its policy rate, and with risks tilted to the downside, we expect the overnight rate to move to the 2.25% lower bound of the estimated neutral rate by the middle of this year.
- Over recent months, tariff threats, a widening divergence between the Canadian and U.S. policy rates, and safe haven flows, have dampened the Canadian dollar. We expect the Loonie to remain weak until mid-2025 before slowly starting to recover.
- In the short run, we expect fiscal policy to contribute to economic growth. The GST holiday and $200 cheques in Ontario will help boost spending in the first quarter of the year.
- The federal and provincial governments face high debt servicing costs and the need to reduce deficits. This will keep growth in program expenditures and transfer payments in check.
- While governments are looking to balance their books, dealing with the threat of tariffs is likely to require additional spending on defence and border security. Our current forecast assumes that these increases will be offset by spending cuts in other areas but if those cuts do not materialize, we see an upside risk to our forecast for government spending.

Sharp Interest Rate Drop Will Help Support Economic Growth

Consumer price index (year-over-year percent change) and Overnight rate (per cent)



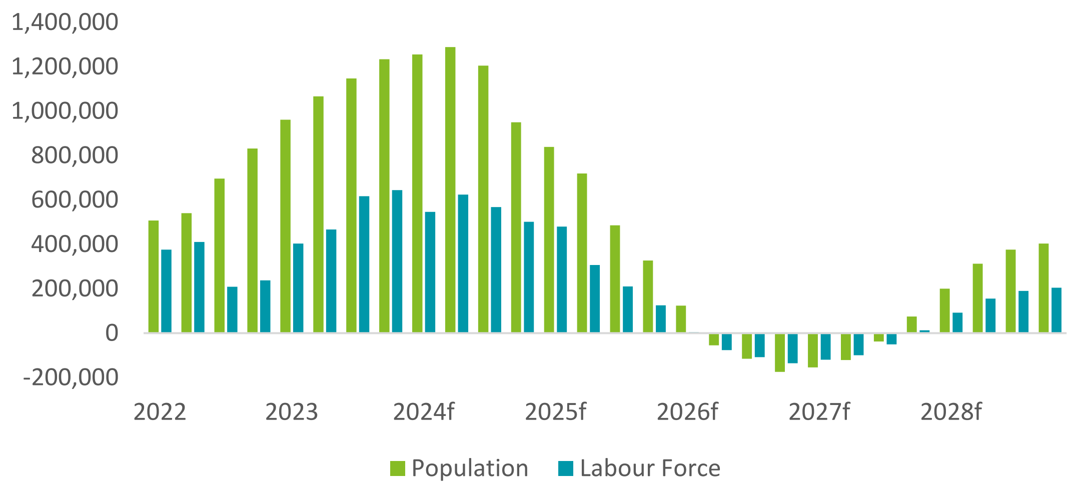
Sources: Statistics Canada; Deloitte.
f = forecast

Demographics and Labour markets

Immigration policy changes are set to be a major driver of the economic outlook, with the population and labour force set to shrink in 2026 and 2027.

- Demographic and labour force changes are set to be an important driver of the economic outlook. The Government of Canada has announced significant immigration policy changes which will take effect over the coming years: the number of temporary workers in Canada is set to be reduced by about 30% from its current level of about three million people, and the level of permanent immigration is set to be reduced from its current level of nearly 500,000 per year to 365,000 per year by 2027.
- Because of Canada's low rate of natural population growth, these changes mean the Canadian population—and consequently, Canada's labour force—will decline during the middle years of the forecast. The declining population will weaken the economy, leading to subdued job gains as employers struggle to fill positions. We expect the economy to add an average of 19,000 jobs per month in 2025, but just 2,300 per month in 2026. In 2027 we expect the economy will shed an average of 1,200 jobs per month
- The impact of the shrinking labour force will not be the same in all industries as those that rely more heavily on temporary workers, such as agriculture or food services, will be disproportionately impacted. The table at right shows the five industries with the highest concentrations of temporary foreign workers. Which temporary residents will be required to leave remains uncertain at this point, but it is unlikely that the impacts will be evenly distributed. Previous cuts to the temporary foreign workers program exempted jobs in food security sectors, construction and health care.
- With labour markets tightening, wages are expected to rise faster than previously expected, as employers try to attract scarce workers and invest in productivity enhancing initiatives in the face of labour scarcity. Still, wages and salaries per worker are expected to rise 2.2% in 2025 and 2.4% in 2026, considerably slower than the 4.0% gains of 2023 and 2024.

Canadian Population and Labour Force, Change Compared to 12 Months Prior



Source: Statistics Canada, Deloitte. f = forecast

Temporary Foreign Workers as Share of Total Workforce, by Industry

Agriculture, forestry, fishing & hunting	17.9%
Accommodation and food services	11.0%
Administrative and support, waste management and remediation services	10.2%
Professional, scientific and technical services	5.6%
Management of companies and enterprises	5.3%
Overall	**4.3%**

Source: Statistics Canada, Deloitte. f = forecast

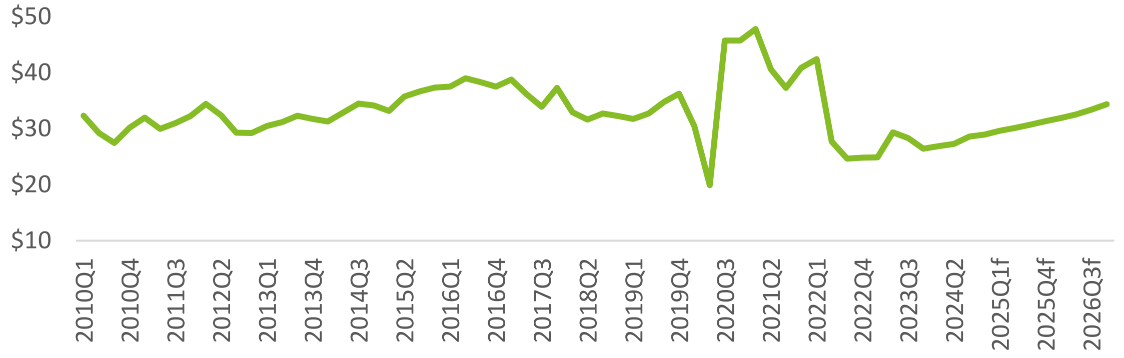
Household spending and residential investment

Lower interest rates are set to warm Canada's housing market, while tax breaks and bonus cheques will help boost consumer spending.

- High interest rates have held back new home construction despite strong demand but with interest rates quickly falling, housing starts are increasing. After hitting a low of 213,000 units at annual rates in August, starts reached over 260,000 units in November. With further rate cuts expected this year, new home construction is projected to rise from an average of 250,000 units in the first quarter to 271,000 units by the end of the year.
- Lower interest rates are also expected to warm up the resale home market with activity slowly starting to recover and momentum expected to continue to build this year as pent-up demand is unleashed. Further, homeowners are more likely to finance renovation projects.
- Consumer spending is expected to rise in early 2025 due to tax breaks and bonus cheques although will likely slow in the medium-term as immigration policy changes take effect.
- From December 14, 2024, to February 15, 2025, the Government of Canada is removing GST from holiday essentials, saving households $1.6 billion. Ontario is also offering an HST tax break, which is predicted to cost $1.0 billion. Additional stimulus is also in store for Ontario residents with the government providing $200 to every resident in early 2025. Even though consumers are expected to save some of this windfall, these measures are expected to support growth in consumer spending of 2.6% in 2025 resulting in a recovery in per capita spending after two years of decline.
- Unfortunately, the good times will be short lived with weak or declining population growth weighing significantly on consumer spending which is expected to increase by an average rate of just 1.3% per year over 2026-2027.

Resale Housing Market is Slowly Recovering

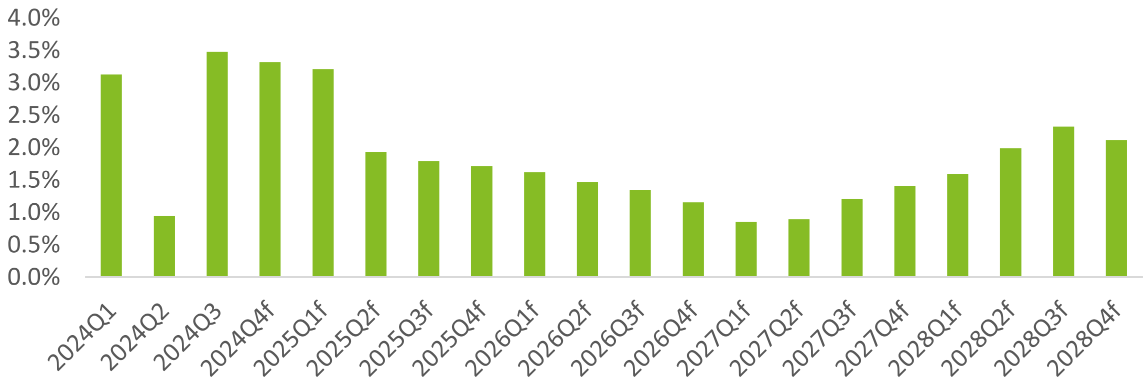
Ownership transfer costs, Billions of $2017



Source: Statistics Canada, Deloitte. f = forecast

Short Term Acceleration Expected in Consumer Spending

Percent change, seasonally adjusted at annual rates, Canada



Source: Statistics Canada, Deloitte. f = forecast

Business Investment

Weak demand and uncertain trade prospects will stall a recovery in business non-residential investment despite a need to address weak productivity growth.

- Given persistently weak demand and excess capacity in many firms, business confidence remains low according to the most recent Bank of Canada Business Outlook Survey.
- With subdued confidence and uncertainties around access to our largest foreign market, we have revised down our near-term outlook for business investment. Despite the need for productivity enhancing investments, our forecast assumes that businesses will remain reluctant to invest without clarity on the future of our most important trading relationship.
- At the same time, we are also seeing weaker prospects for new electric vehicle manufacturing plants. With the transition to EV's happening at a slower than expected pace, we are seeing some hesitation for new investment or delays and cancellations in planned investments. To date, we've seen Northvolt, Umicore, and E-One Moli pull back a collective $10.1 billion in near-term investments towards their respective EV battery manufacturing plants.
- However, there is a silver lining. With lower immigration and an increase in temporary foreign workers exiting the country starting this year, firms will have no choice to offset a lack of labour supply by investing in capital and productivity enhancing tools. While the timing of these investments remains uncertain, we expect to see gains beginning to accelerate in the second half of this year, benefiting investments in machinery and equipment, software and R&D.
- A major risk to business investment is Canada's trade outlook with the U.S., which comes with several uncertainties. The impact of tariff troubles, as outlined in our downside scenario, could significantly weaken demand for Canada's output, raise prices, and therefore further subdue business investment.

Business Non-residential Investment is Expected to Reach 2023 Levels in Early 2027

Billions of $2017

Source: Statistics Canada, Deloitte. f = forecast

Estimated Losses to Canadian GDP Due to Project Pauses in the EV Sector

Billions of current dollars ($)

Trade

Both exports and imports look set to turn the corner in Q4; decent growth forecasted through 2026, but choppy waters lie ahead.

- Exports and imports are expected to have ended 2024 on a positive note, registering annualized growth of 2.4% and 2.9% respectively in Q4. This will keep the red ink off the trade sector in 2024 with exports advancing by 0.6% while imports grow by 0.5%.
- This year, in the absence of tariffs, prospects appear brighter with both export and import growth set to gain steam on account of various factors.
- The TransMountain Pipeline Expansion will continue supporting oil exports in the near-term, before export capacity gets a boost from the commencement of operations at LNG Canada and NextStar's electric vehicle battery facility.[1,2]
- The various stimulus measures outlined previously will support consumer-related imports through the first half of this year, before capital goods join the party in the back half of the year as firms gradually ramp up investment activities.
- By 2026 though, the trade sector could face some potential headwinds owing to developments south of the border and a shift in Canadian immigration policy.
- Canada currently sends about 77% of its exports to the U.S. and with the U.S. economy expected to slow in 2026, any cold air that blows over the U.S. economy is sure to have a chilling effect on Canada's exports. However, the weak Loonie will act as a partial offset by keeping our products relatively cheap to American consumers.
- The theme for imports in 2026 will be 'trading places' as shifting demographics soften growth in consumer-related imports while capital-intensive imports provide a partial offset as firms make investments to remain competitive in a relatively more labour-constrained environment.
- Through 2026, net exports hold steady as export and import growth track closely.

Total Exports and Imports

Billions of chained 2017$, seasonally adjusted at annual rates, Canada

Source: Statistics Canada, Deloitte. f = forecast

[1] U.S. Energy Information Administration, September 2024
[2] Chris Ensing, CBC News, September 2024

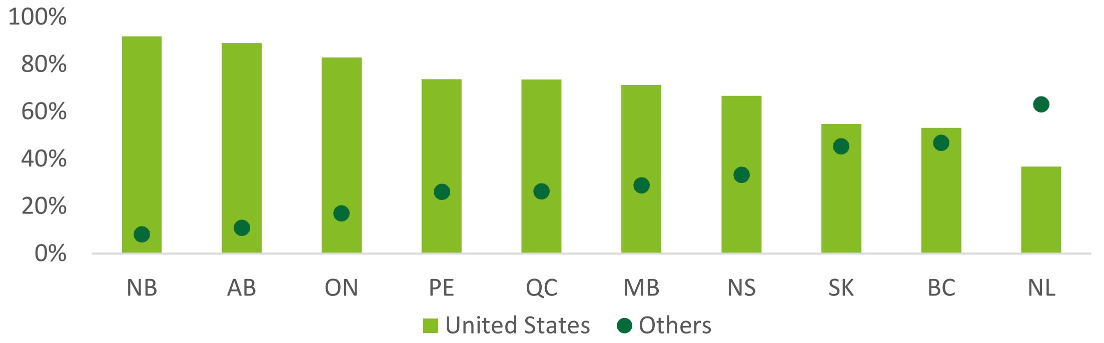
Provincial Outlook

Changes in federal immigration policy will limit growth across provinces while the threat of a trade war with the U.S. weighs on business sentiment. Energy investments offer a silver lining while soft growth in the EV market presents a risk.

- Newfoundland and Labrador's (NL) economy rebounded in 2024, marking its first expansion since 2021. This growth was primarily driven by the restart of the Terra Nova vessel and the resumption of production at the SeaRose FPSO. Despite lagging population growth, NL ranked first among provinces in 2024 for growth in housing starts, as well as retail, wholesale, and manufacturing sales. The province's robust oil and gas production, strong household spending, and great diversification in exports are expected to position NL as the fastest-growing province in 2025.
- Robust population and employment gains boosted household spending in Prince Edward Island (PEI) in 2024. However, caps on study permits and temporary foreign workers are expected to limit the province's population growth, potentially hindering its economic growth in 2025. Medium-term, growth should be supported by investments in healthcare facilities, social housing units, and school expansions and replacements.
- Nova Scotia's economy was bolstered by strong housing starts and employment gains in 2024. However, this did not translate into strong household spending as population growth slowed. Medium-term, growth will be supported by the ramp-up of several major projects, including the $13.7B EverWind Point Tupper and the $1B Bear Head Energy's Point Tupper Hydrogen/Ammonia projects, and the over $2B QEII Hospital Project in Halifax.
- New Brunswick (NB) saw stable retail sales and employment numbers in 2024, and with the lowest debt-to-disposable income ratio in Canada, households spending was less affected by elevated interest rates and logged solid growth. However, the new immigration policy is expected to strain labour supply in the short-to-medium term. The province's high export exposure to the U.S. market is also expected to weigh on business investment and economic growth, posing a significant downside. Consequently, NB's economic growth is expected to rank near the bottom among provinces for 2025 and 2026. Medium-term, New Brunswick's $1 billion in funding for Indigenous-led wind projects should help boost growth.

Trade Exposure with the United States by Province

Share of total exports to the U.S. versus other countries, 2023



Source: Trade Data Online, Statistics Canada.

- Weak population growth in Quebec resulted in the province having the slowest employment increase among provinces last year, resulting in Quebec experiencing the weakest GDP growth across provinces in 2024. The demographic outlook remains bleak in 2025 due to both federal and provincial changes to immigration policy, which will impact short-to-medium-term population growth, employment gains and household demand. Uncertainty around major EV investments, including Northvolt's paused $7B EV battery plant and Ford's withdrawal from the $1.2B cathode material plant in Bécancour, further darkens Quebec's outlook.
- In 2024, Ontario's weak housing market, limited employment gains, and rising unemployment rate placed it near the bottom among provinces in terms of economic growth. Lower interest rates and a modest rebound in the housing market will support activity in 2025 as will continued investments in EV batter plants. Looking into 2026, growth will slow due to immigration policy changes which will slow population growth and therefore, consumer spending. A key risk to the forecast is sluggish EV demand. Umicore has postponed construction of its cathode factory and if EV demand stalls, that could further impact planned investments.

Provincial Outlook

In 2025, Newfoundland and Labrador, Alberta and Price Edward Island are expected to lead GDP growth, while Quebec, New Brunswick and Ontario are projected to lag.

- In Manitoba, a robust service sector, rising employment, and steady inflation contributed to modest GDP growth in 2024. However, challenges persist in the province's goods producing sectors as well as retail and wholesale sales. Healthy investments in non-residential structures are expected, such as True North Real Estate Development's redevelopment of Portage Place ($650 million) and the new Portage Regional Health Centre ($455 million). Overall, these mixed indicators will keep Manitoba in the middle of the pack.
- Weak wholesale sales, manufacturing sales, and housing starts are dampening Saskatchewan's short-term outlook. Despite uncertainty surrounding canola exports to China caused by the recent tariffs the Canadian government placed on a few Chinese products, the province's agriculture GDP is expected to continue to grow in 2025. Increased potash production after the completion of phase 1 of the Jansen project is expected to support the economy in 2026.
- Alberta's strong population growth and robust oil production from the Transmountain Pipeline expansion boosted the province's economic growth in 2024. Medium-to-long-term growth is anticipated from major investments from Telus and the $11.6B Dow Fort Saskatchewan Path2Zero Expansion. However, federal policies such as the 2030 Emissions Cap and Clean Fuel Regulations will pose challenges, which could potentially be mitigated by investments in carbon capture and storage (CCS).
- British Columbia faced challenges in 2024 due to high household debt, weak household spending, declines in housing starts, and reduced capital spending following the completion of the Trans Mountain Pipeline expansion and TC Energy's Coastal Gaslink pipeline. However, prospects may improve in 2025 with lower interest rates boosting consumer spending and spurring a recovery in the housing market. We also expect to see increased oil and gas exports from LNG Canada and strong gains in utilities as the Site C dam becomes operational. On the downside, lower immigration given the change to federal policy will weigh on growth prospects in 2026.

Real GDP Growth by Province

Order reflects 2025 growth, strongest to weakest

	2024f	2025f	2026f
Newfoundland and Labrador	3.0	2.9	2.0
Alberta	2.6	2.8	2.1
Prince Edward Island	2.7	2.5	1.9
Saskatchewan	2.3	2.3	2.0
Manitoba	1.5	2.1	1.9
Nova Scotia	1.6	2.1	1.5
Canada	1.3	2.0	1.6
British Columbia	1.0	1.9	1.6
Ontario	1.2	1.9	1.5
New Brunswick	1.4	1.6	1.5
Quebec	1.0	1.5	1.4

Source: Statistics Canada, Deloitte. f = forecast

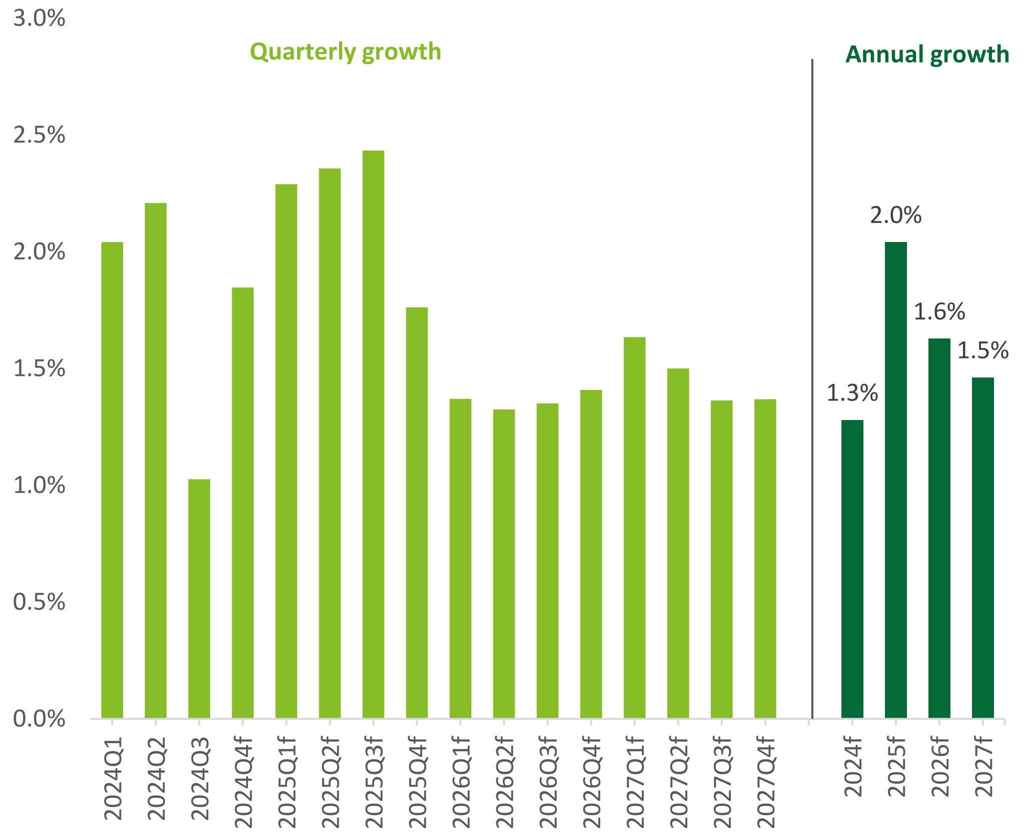
GDP Outlook and Key Risks

Real GDP growth is expected to accelerate this year after two years of subpar growth. However, risks to the outlook are skewed to the downside.

- The threat of tariffs is taking a toll on an economy already on shaky ground. Over the last two years, the pace of economic growth has been very modest with real GDP advancing by just 1.3% last year after an anemic 1.5% increase in 2023. To make matters worse, this growth occurred in a period of record population growth, meaning per capita real GDP fell by a worrisome 1.6% in 2024 after a 1.3% decline in 2023.
- Looking ahead, Canada's economic prospects are not much better. Business investment has been one of the weakest areas of the Canadian economy. Investment declined in 2024 and levels remain historically subdued. Canadian companies are unlikely to improve on this trend with the prospects of a trade war threatening access to their largest market.
- It's not all bad news with consumers expected to spend more this year given lower interest rates and inflation combined with some short-term stimulus in the form of a GST/HST holiday and cheques distributed to Ontario households. Overall, that revival in consumer and housing spending will help lift real GDP growth to 2.0% this year. However, the better economic prospects will be short lived with the recent immigration changes resulting in a drop in our population in both 2026 and 2027, constraining growth in consumer-focused sectors and capping growth at 1.6% next year.
- While downside risks abound, not all risks are potential negatives. Our forecast assumes that the federal government will be able to reduce net permanent residents by the amount outlined in their proposed changes; if not as many leave as outlined, we will not see as much of a drag on the consumer front. Furthermore, consumers have upped their savings recently to a very high rate and are forecast assumes they will be slow to draw those savings down in an environment of elevated risks. If the drawdown happens faster than expected, we will see even stronger consumer spending.
- Risks are however tilted to the downside. Even beyond the threat of tariffs, which are explored on the next page, President-elect Trump's pro-business policies aimed at reducing regulations, shrinking government and cutting corporate taxes will make Canada a comparatively less attractive place for investment, which could derail our forecast for a turnaround in business investment and productivity.

Real GDP Growth set to Improve but the Acceleration Will be Short Lived

GDP, percent change



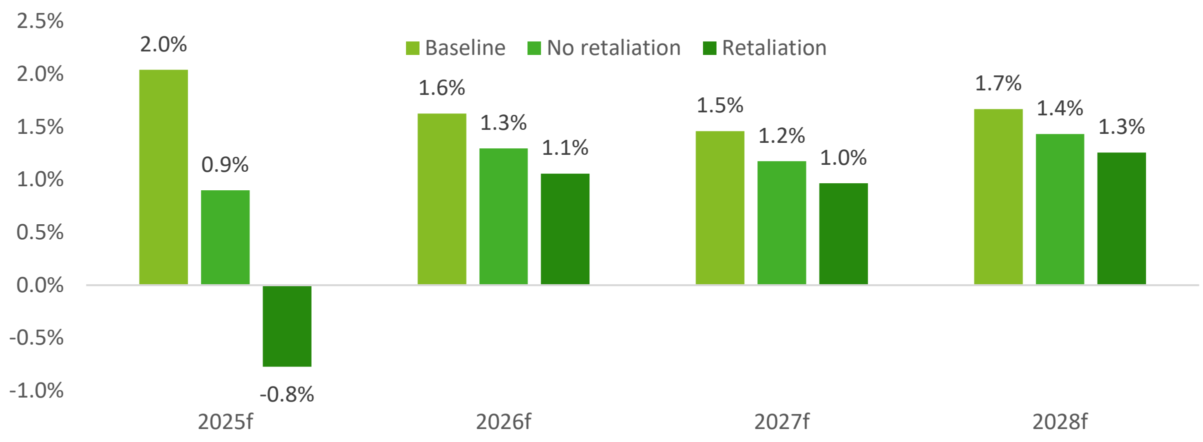
Sources: Statistics Canada; Deloitte.
f = forecast

Downside Scenario: Tariff Troubles

Given the tangible risk of the U.S. placing tariffs on Canadian goods, we have modelled their impact on Canada's economy. The results are clear – Canada's economy will be much worse off with a deeper hit if we choose to retaliate.

- The U.S. is Canada’s largest trading partner with $594 billion or 77% of all Canadian exports destined for the U.S. market. On November 25, 2024, President-elect Trump suggested his incoming administration could place a 25% tariff on all goods coming from Canada and Mexico. Talks of retaliation have already begun with Ontario recently threatening to cut off its energy supply to the U.S..
- Given the threat of potential tariffs, we decided to model the impact of tariffs under two scenarios. In the first scenario, the U.S. imposes a tariff of 25% on Canada and Mexico, 60% minimum tariff on imports from China and 10% on imports from other countries with no retaliation. In the second scenario, countries retaliate with equivalent tariffs on U.S. exports.
- The graph on the top right clearly shows that Canada’s economy would be hit hard if tariffs were put in place and remained there. In the scenario where we retaliate, our real GDP growth drops 2.8 percentage points, pushing Canada into a painful recession.
- Growth remains weaker than our baseline in both scenarios given the expectation that tariffs remain in place. The trade barriers reduce our competitiveness in external markets, discouraging investment and exports while in the retaliation scenario, imports become more expensive, reducing the purchasing power of Canadians, amplifying the negative economic impact.
- Our modeling is done at the national level, but we expect all provinces to be negatively impacted if the U.S. places tariffs on Canadian goods. That being said, provinces have different exposure to the U.S. market: exports to the U.S. account for just 7.3% of Nova Scotia's economy but over a third of Alberta’s economy. Increased reliance on the U.S. market to generate economic activity is likely to translate into deeper economic impacts, unless specific exemptions are enacted, such as on energy exports.

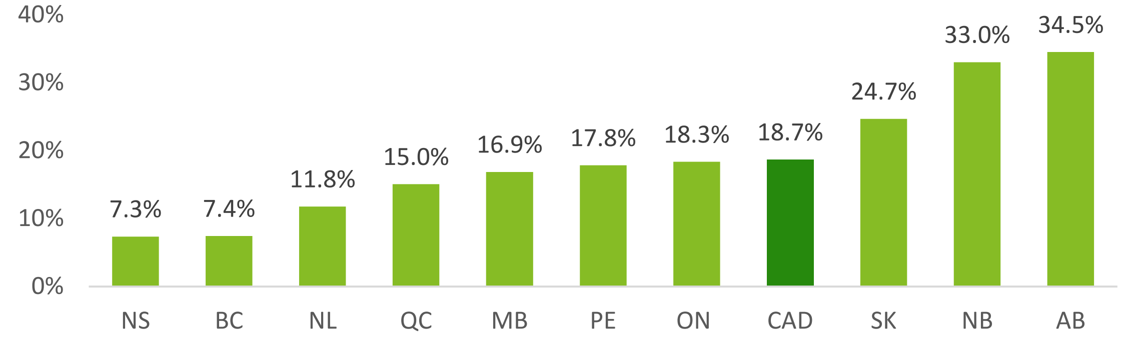
Impact of tariffs on real GDP growth



Source: Statistics Canada, Deloitte. f = forecast

Trade Exposure to the U.S. differs across provinces

Merchandise exports to the U.S. as a share of GDP, 2023, current dollars



Source: Statistics Canada; Deloitte.

Forecast tables

GDP by expenditure

	2024Q1	2024Q2	2024Q3	2024Q4f	2025Q1f	2025Q2f	2025Q3f	2025Q4f	2026Q1f	2026Q2f	2026Q3f	2026Q4f	2024f	2025f	2026f
U.S. GDP	1.6	3.0	2.8	2.9	2.7	2.6	1.1	0.9	1.8	2.4	2.5	0.3	2.8	2.4	1.7
Canadian GDP	2.0	2.2	1.0	1.8	2.3	2.4	2.4	1.8	1.4	1.3	1.4	1.4	1.3	2.0	1.6
Household consumption	3.1	0.9	3.5	3.3	3.2	1.9	1.8	1.7	1.6	1.5	1.4	1.2	2.0	2.6	1.6
Non-profit consumption	3.4	1.1	1.2	2.5	3.2	1.9	1.8	1.7	1.6	1.5	1.4	1.2	2.1	2.2	1.6
Government consumption	3.7	3.8	4.5	2.6	1.7	1.7	1.7	1.6	1.0	1.0	1.0	1.0	2.7	2.3	1.2
Total investment	-0.6	4.2	-1.9	0.9	1.9	1.7	2.5	2.7	2.4	2.3	2.4	2.5	-0.5	1.5	2.4
Government investment	0.5	9.1	6.5	0.0	1.2	1.2	1.3	1.5	1.5	1.3	1.4	1.3	4.2	2.1	1.4
Business investment	-0.9	3.3	-3.6	1.1	2.0	1.8	2.8	3.0	2.7	2.6	2.7	2.8	-1.5	1.3	2.7
Residential investment	-5.8	-7.4	3.0	3.9	5.7	4.4	4.9	5.5	4.5	4.6	4.8	5.0	-1.6	3.8	4.8
Residential - renovations	-13.0	-11.3	-1.6	3.7	3.9	3.6	3.4	4.5	6.4	6.3	6.4	5.8	-5.3	2.1	5.4
Residential - ownership transfer costs	6.9	6.2	21.1	4.7	9.6	7.6	7.6	7.9	7.8	8.4	10.7	12.6	2.5	9.1	8.6
Residential - new housing	-4.8	-9.5	-0.3	3.7	5.5	3.7	4.8	5.2	2.0	1.9	1.4	1.4	-0.5	3.0	2.9
Engineering structures	9.1	15.8	0.5	0.7	0.7	1.1	1.2	1.2	1.3	0.8	0.7	0.9	-0.6	1.7	1.1
Non-residential buildings	-5.6	-6.5	-0.5	-1.0	-1.0	-1.0	0.6	1.0	0.8	1.0	1.1	1.0	-3.8	-1.0	0.8
Machinery and equipment	-0.9	23.4	-27.7	-1.0	-1.0	-0.5	2.5	2.5	2.0	2.0	2.0	2.0	-2.9	-2.8	2.0
Intellectual property	4.3	1.5	5.9	-1.4	0.4	1.0	1.5	1.4	1.7	1.5	1.9	1.9	0.8	1.1	1.6
Total exports	1.5	-5.4	-1.1	2.4	5.3	4.8	4.8	2.5	1.2	1.2	1.4	2.0	0.6	2.9	2.2
Exports - goods	2.2	-5.7	-0.1	5.5	5.0	4.6	4.2	2.7	1.4	1.3	1.3	1.9	0.3	3.4	2.2
Exports - services	-1.0	-4.4	-4.5	-7.0	6.5	5.4	6.9	1.7	0.5	0.9	1.6	2.3	2.1	1.3	2.1
Imports	-1.7	-0.8	-0.4	2.9	3.2	3.3	3.3	3.2	2.1	2.0	1.9	1.6	0.5	2.5	2.4
Imports - goods	-0.3	2.5	-1.9	3.3	3.4	3.5	3.5	3.4	2.2	2.0	1.8	1.6	0.1	2.7	2.5
Imports - services	-6.6	-11.9	5.2	1.4	2.7	2.5	2.5	2.6	1.9	2.1	2.0	1.6	1.9	1.7	2.2
Inventories ($ millions)	(10,011)	9,821	(7,603)	(2,377)	(5,381)	658	675	662	98	217	121	(561)	(7,480)	(7,514)	1,178

Notes: Unless otherwise noted, all figures are expressed as annualized % changes; data is based on seasonally adjusted real 2017 chained dollars; f = forecast.
Sources: Statistics Canada; Bank of Canada. Forecast by Deloitte Economic Advisory, as of Dec 11, 2024

Key Indicators

Key Macroeconomic Indicators

	2024Q1	2024Q2	2024Q3	2024Q4f	2025Q1f	2025Q2f	2025Q3f	2025Q4f	2026Q1f	2026Q2f	2026Q3f	2026Q4f	2024f	2025f	2026f
Labour force participation rate (%)	65.3	65.4	65.0	65.0	64.9	64.9	64.8	64.8	64.7	64.7	64.6	64.6	65.2	64.8	64.6
Change in employment (000s)	76.4	119.8	35.5	11.2	76.6	89.2	42.9	19.3	-15.1	-9.2	-9.0	-18.3	321.9	225.8	27.2
Unemployment rate (%)	5.9	6.2	6.5	6.8	6.8	6.6	6.4	6.3	6.2	6.1	6.0	6.0	6.4	6.5	6.1
Household savings rate (%)	4.8	6.2	7.1	7.2	6.6	6.5	6.4	6.0	5.2	5.0	5.3	4.9	6.3	6.4	5.1
Housing starts (000s)	249.5	245.2	234.7	236.1	249.6	256.2	263.5	270.9	272.6	274.2	275.8	277.4	241.4	260.1	275.0

Key Financial Market Indicators

	2024Q1	2024Q2	2024Q3	2024Q4f	2025Q1f	2025Q2f	2025Q3f	2025Q4f	2026Q1f	2026Q2f	2026Q3f	2026Q4f	2024f	2025f	2026f
Overnight rate	5.00	4.75	4.25	3.25	2.75	2.25	2.25	2.25	2.25	2.25	2.25	2.25	3.25	2.25	2.25
90-day t-bill	4.96	4.79	4.20	3.20	2.70	2.27	2.28	2.30	2.32	2.34	2.35	2.37	3.59	2.30	2.37
1 year t-bill	4.78	4.62	3.71	3.32	2.80	2.73	2.67	2.48	2.49	2.49	2.49	2.50	3.32	2.48	2.50
Government 2-year bond	4.11	4.21	3.23	3.13	2.85	2.80	2.75	2.80	2.80	2.80	2.80	2.85	3.13	2.80	2.85
Government 3-year bond	3.86	4.07	3.13	3.09	2.90	2.85	2.80	2.85	2.85	2.85	2.85	2.85	3.09	2.80	2.85
Government 5-year bond	3.51	3.71	2.95	3.04	2.96	2.91	2.86	2.91	2.91	2.91	2.91	2.91	3.04	2.91	2.91
Government 10-year bond	3.44	3.67	3.09	3.23	3.15	3.10	3.05	3.01	3.01	3.01	3.01	3.01	3.23	3.01	3.01
90-day 10 year spread	-1.52	-1.12	-1.11	0.03	0.45	0.83	0.77	0.71	0.69	0.67	0.66	0.64	-0.36	0.71	0.64
2-year 10 year spread	-0.67	-0.54	-0.14	0.1	0.3	0.3	0.3	0.21	0.21	0.21	0.21	0.16	0.1	0.21	0.16
Exchange rate CAD/USD	0.741	0.731	0.733	0.718	0.707	0.705	0.708	0.712	0.715	0.718	0.721	0.725	0.731	0.708	0.720

Notes: f = forecast. The overnight rate represents the end of the period. All other indicators quarterly values are quarter averages. Annual figures reflect the end of the period as measured by Q4.
Sources: Statistics Canada; Bank of Canada. Forecast by Deloitte Economic Advisory, as of December 11, 2024.

Contributors

Economic Advisory

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